Fleet Vehicles Agency

2002/03
ANNUAL REPORT

Fleet Vehicles Agency is a Special Operating Agency
within Manitoba Transportation and Government Services

104-00225/

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Fleet Vehicles Agency is a Special Operating Agency
within Manitoba Transportation and Government Services

Letter from the Minister

MINISTER OF TRANSPORTATION
AND GOVERNMENT SERVICES

Room 203
Legislative Building
Winnipeg, Manitoba, CANADA
R3C 0V8

July 14, 2003

The Honourable Peter M. Liba
Lieutenant Governor of Manitoba
Room 235, Legislative Building
Winnipeg MB R3C 0V8

May It Please Your Honour:

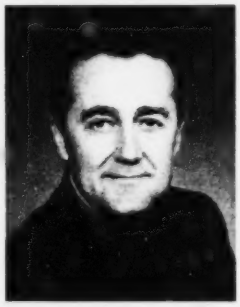
I have the privilege and pleasure of presenting for the information of Your Honour the Annual Report of Fleet Vehicles Agency (*FLEET*) for the year ended March 31, 2003.

This Report marks the completion of *FLEET*'s 69th year of operations within the provincial framework, the last 11 of which have been as a Special Operating Agency (SOA).

As the first SOA in Manitoba and at the provincial level in Canada, *FLEET* has become a model for other agencies within the province and for alternative service delivery across the country. Its operating performance is one in which we are all justifiably proud.

Respectfully submitted,

Scott Smith
Minister Responsible for
Fleet Vehicles Agency



Letter from the Deputy Minister

Manitoba

Deputy Minister of
Government Services
& Emergency Measures

332 Legislative Building
Winnipeg MB R3C 0V8

Telephone: (204) 945-4414
Facsimile: (204) 945-1857

July 14, 2003

Honourable Scott Smith
Minister Responsible for Fleet Vehicles Agency
Manitoba Transportation and Government Services
Room 203, Legislative Building
Winnipeg MB R3C 0V8

Dear Mr. Minister:

I am pleased to submit for your review and consideration the Annual Report of Fleet Vehicles Agency (*FLEET*) for the year ended March 31, 2003.

FLEET continues to be diligent in addressing the Government's Sustainable Development Procurement Guidelines. Its fleet now includes 88 Chrysler E85 Mini Vans and six Chrysler Sebring sedans that run on regular gasoline, or on a combination of gasoline and up to 85% ethanol. It also currently contains four hybrid gasoline-electric sedans: two of each of the Toyota Prius and Honda Civic. Its 2004 Vehicle Ordering Guide draws to the attention of and encourages departmental vehicle coordinators to consider vehicle replacements that are friendlier to our environment. Although its provincial customers are mandated to use E10 gasoline where practical, *FLEET* has also developed material that encourages all of its customers to use E10. As well, since April 1, 2003, *FLEET* now exclusively serves E10 from its on-site pumps.

As additional vehicle manufacturers enter the hybrid field, *FLEET*'s intention is to purchase and test models from several of them as a part of the development of an overall hybrid strategy for the Province. To assist in the strategy development, *FLEET*'s management will be encouraging its larger clients to include a hybrid as one of the vehicles in their programs.

Once again, on behalf of departmental management, I would like to thank *FLEET*'s management and staff for their obvious commitment and dedication. We are all very pleased with *FLEET*'s continued success.

Respectfully submitted,

Gerry Berezuk
Deputy Minister of Government Services
and Emergency Measures
Chairperson of the Fleet Vehicles Agency Advisory Board

Chief Operating Officer's Message

To the Many Stakeholders of Fleet Vehicles Agency:

Our 11th year as a Special Operating Agency (SOA) has now been recorded for posterity. Although the $1,983,000 we show as a "bottom line" for the year is considerably less than the net earnings we recorded last year, it is nonetheless $203,000 better than our projected results.

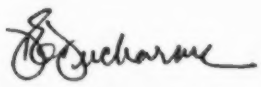
In the year previous to our reporting year, everything from an operational point of view went in our favour. We had early arrivals from the manufacturers for our replacement vehicles including ambulances, relatively low gasoline prices, low interest rates, a busy bodyshop, and successful auctions. This year's number is much more in line with the approximately $2 million annual net earnings number we determined a few years ago to be necessary to assist in funding the ever-increasing cost of new vehicles in the fleet.

In 2002/03, another 20 ambulances were added to the 60 we received and leased to Manitoba Health in 2001/02. The eighty have been allocated by Health amongst the Regional Health Authorities throughout the province, and that number puts us approximately 50% of the way home in replacing all of the ambulances within the provincial fleet. During the first quarter of 2003/04, we again worked with Manitoba Health and tendered a contract that will probably see us continue to replace ambulances at the rate of approximately 20 per year for the next several years.

I would like to take this opportunity to welcome the nine employees from Radio Services to our fold. In March 2003, it was announced that *FLEET* would assume organizational responsibility for their program, effective April 1, 2003. Radio Services is essentially responsible for the planning and operation of high quality, affordable communication systems services for its provincial and other clients. The transition of their labour reporting, work order procedures, billings, and payables functions into our Keys™ program will take much of the 2003/04 year to achieve. Our intention in time is to work towards making Radio Services a specialty function offered by *FLEET*.

Deloitte & Touche LLP were retained as independent consultants in the latter part of 2001/02 to assess operational options for *FLEET* and the Mechanical Equipment Services Branch of Transportation. Over the summer of 2002, they completed their assessment, and presented their report and recommendations.

My appreciation is once again extended to the members of the management team and staff at *FLEET*, and to our numerous stakeholders, clients and partners. The operating success recorded during 2002/03, as well as that for our other 10 years as a SOA, could not have been achieved without you.



Dennis Ducharme
Chief Operating Officer

Profile and Direction of Fleet Vehicles Agency

Fleet Vehicles Agency (*FLEET*) has one of the larger single fleets of vehicles in Manitoba and, as an agency within Manitoba Transportation and Government Services, our main clients are the departments, agencies and crown corporations of the provincial government. As a supplier of complete vehicle management services, we are, however, exploring new market opportunities to provide our services to broader public sector organizations throughout the province.

The fleet currently consists of approximately 2,600 vehicles including trucks (52%), vans (31%), sedans (14%) and ambulances (3%) operating from more than 600 locations throughout the province. Annual distance travelled by the fleet now exceeds 56 million kilometres and annual fuel consumption is approaching 10 million litres.

Our Mission Statement

"We are committed to provide our clients with a complete range of quality fleet management services to assist in the efficient delivery of public programs."

On at least an annual basis, the management at *FLEET* scrutinizes its Mission and Vision Statements to ensure that these two important statements reflect the current direction desired by our management and staff, and by our major stakeholders. The most recent change from this self-examination process occurred to our vision statement in the fall of 2001, when we changed the adjective from "complete" to "all" in front of "...vehicle and equipment management services...."

FLEET's management and staff also annually formulate our operating goals and objectives, developing several guiding principles that we feel are important in the achievement of our continuing success. The critical success factors developed for 2002/03 and our results in addressing each factor's related goals and objectives are discussed in this Report in the section "Operating Objectives and Results."

As we at *FLEET* continue to work towards achieving our mission and vision, our actions and our working relationships will also be guided by, and reflect, the following important values:

- *Satisfy and exceed stakeholder expectations,*
- *Provide dependable and responsive service at competitive prices,*
- *Promote open communication and teamwork,*
- *Encourage individual learning, growth and achievement,*
- *Provide a safe work environment for all employees, and*
- *Eliminate or minimize risks to the environment.*

Our Vision Statement

"To provide all vehicle and equipment management services to the broader public sector."

Our Products and Services

FLEET's employees provide complete fleet administration support and vehicle maintenance to our clients from a central Winnipeg administration office and full service repair facility. Approximately one-third of the fleet is serviced from the Winnipeg garage and the remainder is serviced by the Agency's private sector contacts throughout Manitoba, with *FLEET* ensuring high service standards to customers regardless of location.

FLEET provides a full range of quality fleet management services. Our main objective is to serve public-sector organizations, in the anticipation that the development of partnerships with other levels of government will lead to the most efficient use of resources and cost savings to each partner.

Vehicles currently available range from compact sedans and half ton trucks to full size vans for the majority of our clients. In 2001/02, Manitoba Health added to vehicle types available when it began to lease ambulances from us for use by the various Regional Health Authorities. Client specifications determine the requirements for vehicles ordered and the flexible lease terms that are arranged. We also maintain a number of older vehicles for public sector organizations to lease at lower rates on a seasonal basis.

The average age of the fleet is currently 3.7 years, which is greater than our private sector competitors but comparable to other public sector fleet operations. Our vehicle replacement program maximizes fleet discounts on vehicle purchases, with those discounts reflected through our vehicle lease rates. Although the Agency can recommend optimal vehicle replacement, it is ultimately our clients' decisions when to replace their vehicles, and this is often affected by funding restrictions.

Costs arising from the acquisition and operation of a vehicle are charged monthly to our customers through rent (usually fixed for the term of the lease) and variable (based on kilometres driven) rate structures. Centralized payments of all vehicle operating and administrative costs, including repair and fuel bills, eliminate the administrative task for our customers and allow us to take advantage of discounts and volume rebates.

Our repair facility's qualified personnel provide regular servicing, repairs, parts and bodyshop maintenance. Our garage is an accredited Private and Commercial Vehicle Inspection Centre. We can inspect all types of vehicles including taxicabs, medium and heavy duty trucks, cars and light duty trucks, school and transit buses, ambulances, and air brake equipped vehicles. Our bodyshop is qualified by Manitoba Public Insurance as an accredited Autopac autobody facility.

Maintaining or Expanding Our Market

Over the past 69 years, *FLEET* has developed a range of products and services to meet the needs of provincial government clients. *FLEET*'s services fall into two main groups: Vehicle Services and Fleet Management Services. Taken together, these services constitute the Full Service package recommended by *FLEET*. Vehicle Services include leases, long-term rentals, short-term (pool) rentals, and vehicle insurance and registration. Fleet Management Services cover a whole range of services including a *FLEET* credit card for fuel purchases, repair authorizations, a preventive maintenance program, an invoice payment service, a taxable benefit program and a complete history of cost, maintenance and distance for each vehicle.

Throughout 2002/03, our staff used the valuable information collected and stored by Keys™, our Fleet Management Information System, to assist customers in analyzing aspects of their vehicle costs and to provide detailed billing data tailored to each customer's specific needs.

Present provincial clients have the option of tendering their new vehicle requirements with *FLEET* or with private sector leasing companies. Private sector bids may be accepted over *FLEET*'s bid only if the departments or agencies are able to demonstrate to Treasury Board that the provincial government would receive better value for its dollar if the department's or agency's fleet management needs were provided by an organization other than *FLEET*. To date, no other organization has been located that is able to provide such value.

Although it remains *FLEET*'s intention to concentrate on further development within departments and agencies of the provincial government and to make further inroads with provincial crown corporations, our vision since 1992 has been to advance new market opportunities and services on a limited basis to the broader public sector within Manitoba. With the approval in March 2000 for *FLEET*'s access to Loan Act Authority to acquire vehicles for lease to these potential markets, the previous barrier to making serious inroads has been removed. Our current objective is to approach specific target markets and prospective new clients who expressed interest in the past, and to ready, promote and position ourselves to commence the process of tapping into these markets.

Commencing in 2003/04, *FLEET* will also now offer the services of its Radio Services division. Its technicians install, maintain and repair two-way radios, and service existing radio base stations and remote monitoring devices throughout the province. It is the current intention that we shall work towards making Radio Services a specialty function offered by *FLEET*.

Structure for Operations

Historical Perspective

Fleet Vehicles Agency was established as a branch of the Manitoba Provincial Government in 1934 to provide centralized fleet management and related services to provincial departments, agencies and crown corporations. It was established to maximize efficiencies in vehicle acquisitions, maintenance and use, and to lower overall vehicle operating costs.

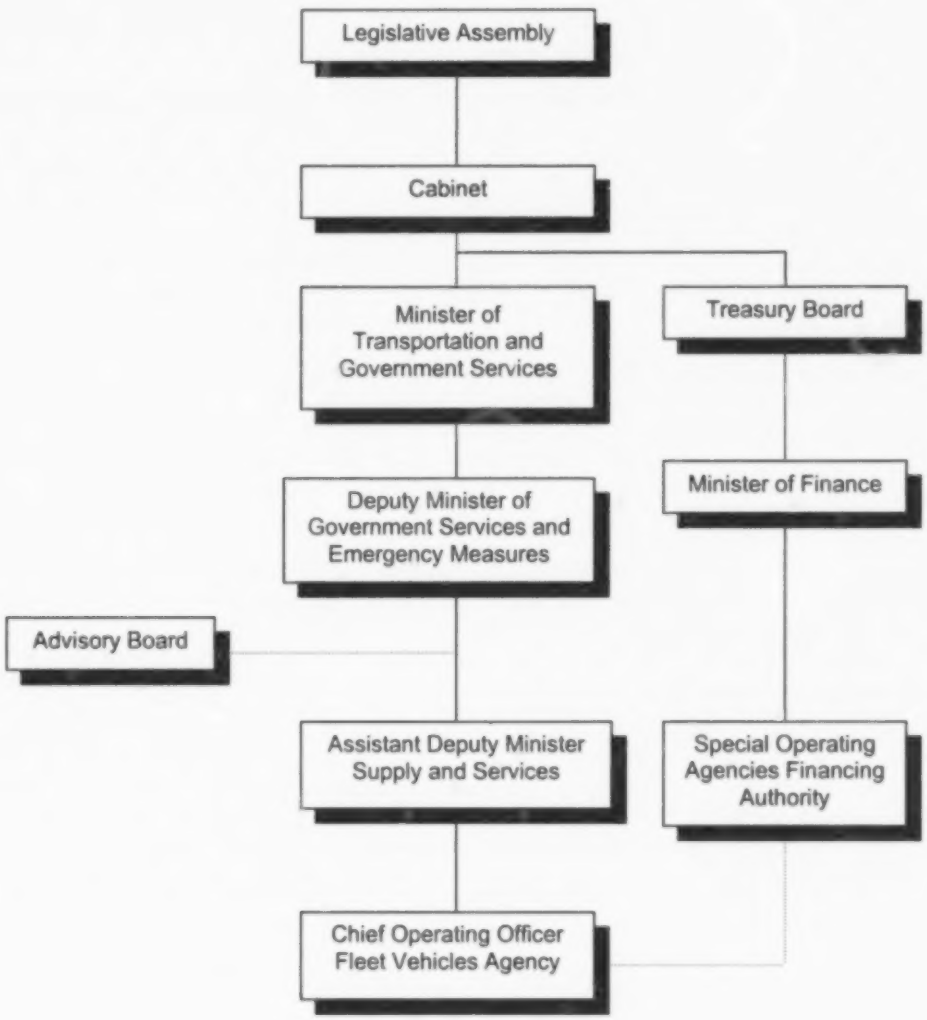
On April 1, 1992, the branch was approved as a Special Operating Agency (SOA), the first such agency to be created in Manitoba and at the provincial level in Canada.

Accountability Structure

As an organization within Manitoba Transportation and Government Services, *FLEET* reports directly to the Assistant Deputy Minister, Supply and Services, and is held accountable to the Deputy Minister of Government Services and Emergency Measures and to the Minister of Transportation and Government Services for operational and financial performance.

The Agency operates outside of the Consolidated Fund under the Special Operating Agencies Financing Authority (SOAFA), which holds title to the Agency's assets, provides financing for operations, and is responsible for its liabilities.

Governance and accountability are substantiated by *FLEET*'s compliance with its Operating Charter, Transfer Agreement, Management Agreement, applicable General Manual of Administration policies, and by The Special Operating Agencies Financing Authority Act. Financial and operational information and requirements are disseminated to and from Treasury Board through a SOA Coordinator at Treasury Board Secretariat. The Accountability Structure Chart presented below outlines the current structure.


Legislative Assembly
Cabinet
Minister of Transportation and Government Services
Treasury Board
Deputy Minister of Government Services and Emergency Measures
Minister of Finance
Advisory Board
Assistant Deputy Minister Supply and Services
Special Operating Agencies Financing Authority
Chief Operating Officer Fleet Vehicles Agency

Advisory Board

The Advisory Board for Fleet Vehicles Agency meets as required to review the Agency's financial and operating reports, the draft Business Plan and any proposed changes to the Agency Charter. The Board's members offer advice and direction on short and long term strategic planning, reporting and management issues of concern to us and to our stakeholders in both the private and public sectors.

Members of the *FLEET* Advisory Board as of March 31, 2003, are listed below.

Fleet Vehicles Agency
Members of the Advisory Board

CHAIR	***Gerry Berezuk*** *Deputy Minister* Government Services and Emergency Measures	
MEMBERS		
Private Sector Representatives	***Norm Fiske*** *Retired Partner* Sill & Company	***Raymond West*** *Retired Chairman of the Board* A. E. McKenzie Co. Ltd.
Client Representatives	***John Hosang*** *Assistant Deputy Minister* Manitoba Transportation and Government Services	***Al Macatavish*** *Retired Vice President* Manitoba Hydro
Ex Officio	***Tracey Danowski*** *A/Assistant Deputy Minister* Government Services	***Dennis Ducharme*** *Chief Operating Officer* Fleet Vehicles Agency
Staff Representative	***Derek Boutang*** *Systems Analyst* Fleet Vehicles Agency	

Organization Chart

FLEET's current staff complement has more than 250 years of combined experience in the provision of fleet management and related services. The Agency employs a team of qualified, service-oriented administrative staff to meet the needs of our clients, and fully qualified, certified and licensed shop personnel who offer top of the line technical service.

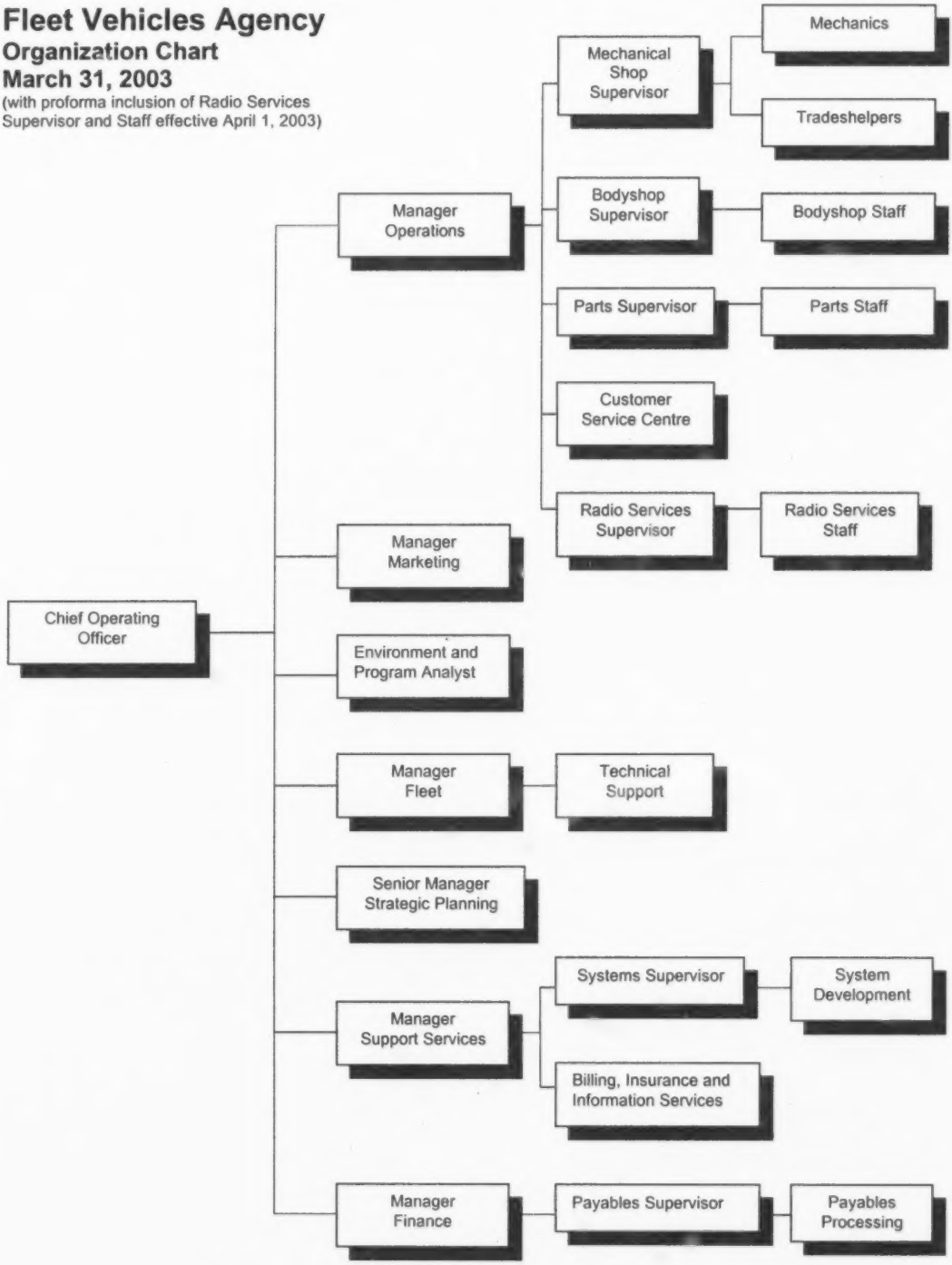
On becoming a Special Operating Agency in 1992, *FLEET* operated with 48 approved staff positions. Of that number, all are currently filled by employees who are designated as regular full time employees (FTEs). In January 2001, Treasury Board approved the conversion of two term employees to regular full time employee status, resulting in a current staff complement of 50 regular FTEs.

Also in January 2001, Treasury Board approved delegated authority for the Agency to manage its staff complement independently, without prior Treasury Board approval, which means that the *FLEET* management can engage incremental staff as business circumstances dictate. This delegated authority is reviewed annually by Treasury Board as a part of their review of each year's Business Plan.

The *FLEET* management team works closely together to set the direction for the Agency and to create an environment that allows employees to attempt to achieve organizational goals.

The Organization Chart presented below reflects the reporting and working relationships that have developed at *FLEET* in the years since we became a Special Operating Agency.

Fleet Vehicles Agency
Organization Chart
March 31, 2003
(with proforma inclusion of Radio Services Supervisor and Staff effective April 1, 2003)



Operating Objectives and Results

Each year, the management and staff at *FLEET* identify key objectives in the preparation of our annual Business Plan that we consider important to the continuing success of the Agency. The major goals and objectives that were established and highlighted in the finalization of our 2002/03 Plan in April 2002 are presented below, in addition to operating objectives that the *FLEET* managers utilize on a periodic basis. These goals and objectives were monitored by management on a regular basis during 2002/03 through a detailed step-by-step performance framework that we call The *FLEET* Plan.

Highlights of our progress in meeting the performance targets that were included as a part of our 2002/03 Business Plan are provided below in italics.

Goal: Ensure Services are Profitable

Objective Develop a system to collect and report on seasonal and short-term rental vehicles utilization and profitability by March 31, 2003. *A system has been in place in Keys Reports for some time that reports on vehicle utilization. That system was further defined in February 2003 to now provide results by vehicle type, class, or unit.*

Objective Maintain repair services that are cost competitive through a quarterly minimum labour productivity rate of 90%. *The Shop Labour Efficiency rate for the three months ended March 31, 2003, was 95.2%. It was 97.2% for the 2002/03 year overall.*

Objective Ensure high quality service work by maintaining a work order comeback rate < 1.5%. *The comeback rate for the three months ended March 31, 2003, was 0.54%. It was 0.39% for the 2002/03 year overall.*

Objective Maintain *FLEET*'s draw down percentage relative to truck, van and sedan purchases at a maximum rate of 60%. *FLEET drew down $6,550,000 during the year, with $1,550,000 of that amount in December 2002, specifically towards the purchase of $1,777,000 in ambulances. The remaining $5,000,000 was a draw down towards the acquisition of $8,823,000 in trucks, vans and sedans, and that amounts to a 56.7% draw down rate during the year.*

Objective Achieve minimum annual financial ratios for 2002/03 of:

Return on total revenue: 8%. *Our rate of return on total revenue for the year ended March 31, 2003, was 7.49%.*

Return on average equity: 10%. *Our rate of return on average equity for the year ended March 31, 2003, was 11.78%.*

Objective Maintain days sales in receivables at a maximum of 35 days at the end of each quarter. *We had days sales in receivables at the end of each quarter during 2002/03 as follows: June 30, 2002 - 36.7 days; September 30, 2002 - 25.4 days; December 31, 2002 - 18.6 days; and March 31, 2003 - 21.1 days.*

Goal: Retain Current Customers

Objective Each staff member will receive a minimum of one customer service training session by March 31, 2003. *This objective has been carried forward as an objective in our 2003/04 Business Plan.*

Objective Further develop current communication tools to educate customers about fleet management by March 31, 2003:

Two *FLEET*-planned events (such as customer meetings). *FLEET co-hosted a well-attended all day seminar, "Dispelling Myths," on September 19 for customers and others within the provincial government. Topics included sessions on leasing arrangements and the benefits of using ethanol blended fuel. Several meetings were held with our larger customers during the year to discuss the advantages to them of using Keys™ OnLine for their vehicle information requirements.*

Two written communications to customers. *A Fall 2002 issue of our customer newsletter, "Makin' Tracks," was distributed to customers with the annual insurance renewals in September. A Winter 2003 issue of "Makin' Tracks" was distributed to customers in February 2003.*

Two speaking engagements or presentations. *Presentations were made by FLEET staff at the "Dispelling Myths" seminar on September 19. Presentations were also made during the year to our larger customers in connection with their use of Keys™ OnLine and other services offered by FLEET.*

Objective Be the successful bidder on 100% of current client tenders for vehicle leasing and management for the 2002/03 business year. *The tenders for model year 2003 vehicles closed July 26, were reviewed, and purchase orders have now been issued for 292 model year 2003 units. No clients went to tender.*

Objective Investigate manufacturer and vehicle options for purchases of replacement vehicles during 2002/03 that use a combination of ethanol and gasoline. *FLEET has a staff member who returned to us in July 2002 after more than two years of training programs. His responsibilities include the continual investigation of available options, and working towards acceptance and implementation by our customers of alternative fuel vehicles.*

Objective Investigate hybrid electric and other alternative fuel vehicles for inclusion in our 2004 Vehicle Ordering Guide. *Our 2003 Vehicle Ordering Guide included a section on and references to "Specialty Vehicles," including alternative fuel vehicles. Our 2004 Vehicle Ordering Guide, issued in March 2003, expanded comments that were in our 2003 Guide and introduced new graphic tools for easy identification of "green vehicles."*

Goal: Increase Revenue and Size of Fleet from Current Customers and New Markets

Objective Increase revenues in identified target markets by 5% for the year ending March 31, 2003, as compared to the preceding year. *Overall, revenues*

in identified target markets for the year ended March 31, 2003, amounted to $2,374,168 compared to revenues for the year ended March 31, 2002, of $2,010,619, an increase of 18.1% in a period over period comparison. Information for each identified target market follows.

Regional Health Authorities - Year ended March 31, 2002, revenues of $553,135. *Revenues for the year ended March 31, 2003, were $689,875, an increase of 24.7% during 2002/03 compared to the preceding year.*

School Divisions - Year ended March 31, 2002, revenues of $135,925. *Revenues for the year ended March 31, 2003, were $180,947, an increase of 33.1% during 2002/03 compared to the preceding year.*

Colleges/Universities - Year ended March 31, 2002, revenues of $51,663. *Revenues for the year ended March 31, 2003, were $73,183, an increase of 41.7% during 2002/03 compared to the preceding year.*

Municipalities - Year ended March 31, 2002, revenues of $142,091. *Revenues for the year ended March 31, 2003, were $120,287, a decrease of 15.3% during 2002/03 compared to the preceding year. The decrease relates entirely to decreased revenues from the City of Winnipeg - Works and Operations, due to the number of "off lease" vehicles available to them for the 2002/03 year's summer program.*

Crown Corporations - Year ended March 31, 2002, revenues of $957,753. *Revenues for the year ended March 31, 2003, were $1,143,980, an increase of 19.4% during 2002/03 compared to the preceding year. The increase relates primarily to increased revenues from Manitoba Lotteries Corporation.*

Federal Departments - Year ended March 31, 2002, revenues of $16,787. *Revenues for the year ended March 31, 2003, were $27,512, an increase of 63.9% during 2002/03 compared to the preceding year.*

Not for Profit Organizations - Year ended March 31, 2002, revenues of $153,265. *Revenues for the year ended March 31, 2003, were $138,384, a decrease of 9.7% during 2002/03 compared to the preceding year. The decrease is primarily in revenues from Delta Waterfowl Foundation.*

Objective Coordinate with Manitoba Health the tender for the next group of 80 ambulances, with delivery scheduled at 20 per year commencing in May 2003. *The paper work was completed in February and March 2003 to tender for a further 40 ambulances, 20 during 2003/04 and 20 during 2004/05, with contract extensions possible for the two years thereafter. Approval was received by Manitoba Health from Treasury Board in April 2003 to proceed, and an announcement was made on May 1, 2003, in connection with the 20 ambulances for 2003/04.*

Objective Develop a written plan to provide services to new markets in 2002/03 for presentation to Treasury Board on or before June 28, 2002. *A written plan was prepared during the summer of 2002, and presented to Treasury Board as a part of the Analyst's review of our 2003/04 Business Plan in January 2003.*

Goal: Address Organization and Structure Concerns Affecting FLEET within Manitoba Transportation and Government Services

Objective Continue to work towards the amalgamation of the operations of *FLEET* and the Mechanical Equipment Services branch of Manitoba Transportation. *An independent consultant, Deloitte & Touche LLP, was engaged early in 2002 to explore organizational and amalgamation options for the two organizations. Their detailed Report has now been reduced to an Executive Summary for presentation, together with recommendations, to Treasury Board in the form of a Treasury Board Submission. We at FLEET shall continue to work towards the contemplated consolidation of operations of the two entities.*

Objective Assist in the development and presentation of the *FLEET*/MES summarization of the Deloitte & Touche LLP Report to Treasury Board by October 25, 2002. *The development and presentation to date has been handled by the Steering Committee, with consultation from FLEET as required.*

Objective Develop a *FLEET* Action Plan with goals and objectives for the sustainable development program by September 30, 2002, that will become part of our 2003/04 Business Plan. *Our 2003/04 Business Plan includes goals, objectives and strategies relating to Energy-Related Opportunities. Our draft Action Plan was presented to the departmental Sustainable Development representatives on January 9, 2003. A follow-up meeting with those representatives was held on April 2, 2003, which finalized our Action Plan for the forthcoming year.*

Objective Ensure all *FLEET* managers and staff receive training identified from the yearly Performance Management program within 12 months of identification. *Managers and staff have received training during 2002/03 when a need for training has been identified, or when suitable courses for the further development of staff have been offered.*

Objective Introduce "competency-based jobs" process to *FLEET* managers to formalize the succession-planning process at *FLEET*. *This objective has been deferred until the 2003/04 year at the request of the Human Resource departmental representative. Current plans are to start the process over the summer months of 2003.*

Financial Performance

The following financial review and analysis compare the actual results for the year ended March 31, 2003, to the projections for the same period and to the actual results for the year ended March 31, 2002. This review and analysis should be read in conjunction with *FLEET*'s financial statements for the year (pages 22 to 31) and the summarization of key elements from the earnings statements in Table 1.

All dollar amounts in the review and analysis are in thousands of dollars.

Operating Results

As summarized in Table 1, *FLEET* is reporting net earnings of $1,983 for the year ended March 31, 2003, compared to a projected $1,780 and an actual $2,925 for the years ended March 31, 2003 and 2002 respectively. The anomaly in those numbers is the comparative figure for the preceding year; the $2,925 net earnings number was $1,170 better than our projections for 2001/02, with increased revenues in most revenue categories in that year far outstripping increases in expenses. In 2002/03, revenues were $1,563 more than projected, but that difference was almost covered by expense variances that were $1,360 more than projected. The result is a much closer comparison between actual and projected net earnings in 2002/03 than occurred in the preceding year.

Table 1 *(In thousands of dollars)*	**Actual** Year ended Mar 31, 2003	**Projected** Year ended Mar 31, 2003	**Actual 2003 vs. projected 2003** Increase/ (decrease)	**Actual** Year ended Mar 31, 2002	**Actual 2003 vs. actual 2002** Increase/ (decrease)
Vehicle leases	$ 23,866	$ 22,853	$ 1,013	$ 22,304	$ 1,562
Gain on disposal of vehicles	894	524	370	842	52
Interest income	10	10	0	11	(1)
Other revenue	1,710	1,530	180	1,799	(89)
Total revenue	**26,480**	**24,917**	**1,563**	**24,956**	**1,524**
Salaries	1,999	2,060	(61)	1,958	41
Vehicle operating expenses	20,055	18,394	1,661	17,806	2,249
Administrative expenses	1,340	1,383	(43)	1,284	56
Community service	28	31	(3)	32	(4)
Interest expense	1,075	1,269	(194)	951	124
Total expenses	**24,497**	**23,137**	**1,360**	**22,031**	**2,466**
Net earnings	**$ 1,983**	**$ 1,780**	**$ 203**	**$ 2,925**	**$ (942)**

Actual lease revenues for the year were $1,562 higher than they were one year earlier and $1,013 more than projected. Approximately one-half of the increase in revenues in the period over period comparisons relates to ambulances; ambulance revenues in 2002/03 amounted to

$1,561 compared to $771 in 2001/02, an increase of $790. The 60 ambulances received during 2001/02 came on board from May through December 2001, and were therefore leased to Manitoba Health for only part of the 2001/02 year. The majority of the remaining increase in lease revenues between years comes from the number of kilometres driven by the fleet—more than 56 million compared to an actual 53.7 million in 2001/02. The number of kilometres driven also accounts for the majority of the $1,013 increase in lease revenues compared to projections. We actually projected a cutback in driving patterns in 2002/03—to 51.1 million kilometres, but departments and their drivers obviously saw otherwise.

The $1,562 increase in lease revenues between years was more than offset by a $2,249 increase in vehicle operating expenses, with those increases coming in vehicle amortization ($713), fuel ($816), insurance ($338), and repairs and maintenance ($382). Some of those increases we projected, but actual vehicle operating expenses in 2002/03 were also $1,661 more than projected. The largest variances compared to projections were in fuel ($478) and repairs and maintenance ($527), both related to the increased distance driven by the fleet. As a generalization, the more kilometres driven, the more fuel and the more maintenance required. Apart from ambulances (which are costing more to maintain than we originally projected), certain departments are choosing not to replace their vehicles as their lease periods are completed, and the costs to *FLEET* to repair and maintain these vehicles has escalated significantly. The increase in repairs and maintenance costs is a concern, one on which *FLEET* management is currently keeping its collective eyes to determine an appropriate course of action to rectify.

Our reported gain on disposal of vehicles is $894 for the 2002/03 year, compared to a reported $842 last year and to a projected $524 for this year. We disposed of 402 vehicles during the 2002/03 year at average disposal proceeds of $5.1 per vehicle, somewhat less than the $6.1 we projected. The pattern in the comparison of actual to projected gain on disposal of vehicles in 2002/03 and 2001/02 is identical, with that pattern explained in the following paragraph.

A growing trend with some of our customers is to complete a vehicle's lease period, but retain that vehicle for another one to two years beyond the lease period. In these cases, as each vehicle comes off lease, a settlement is made with the customer based strictly on the residual value within the lease agreement. No money exchanges hands, and no gain or loss is recognized in our records. Amortization, however, continues to be recorded by us throughout the period that we own the vehicle. At the end of the one to two year period that the customer continues to retain the vehicle, no settlement is required with the customer, because that happened at the completion of the lease period. The vehicle's sale at auction triggers a comparison between the sale proceeds and the vehicle's remaining net book value in our records, and a gain or loss (normally a gain) is recorded. The end result from the application of this process is this: Although the average $5.1 disposal proceeds per vehicle is less than the $6.1 projected, those proceeds, when compared to the amortized value of the disposed vehicles in our books, contributes a much larger gain than we projected.

Other revenue of $1,710 for the year ended March 31, 2003, is $180 better than our projections, but $89 less than its counterpart from a year ago. Shop service revenue at $872 is $99 more than projected and $153 more than it was a year ago, reflecting somewhat the increased distance being driven by the fleet. Autopac Service Revenue a year ago was inordinately high at $386, with the $262 this year more in line with annual expectations.

Interest expense of $1,075 for the year ended March 31, 2003, compares favourably to the $1,269 projected amount. Although we have once again delayed drawing down from Loan Act Authority to the extent possible, it is primarily continuing low interest rates that provide the favourable variance.

Human Resource Overhead is reported at $396 for the 2002/03 year compared to a projected $440. The $440 projection included pension and severance pay obligations at higher levels than have now been determined necessary.

Professional fees of $49 for the year include *FLEET*'s portion of the independent consultant's fees in connection with an assessment and review of operational options for the Agency and the Mechanical Equipment Services Branch of Transportation.

Financial Position

The fleet totals 2,639 units as of March 31, 2003, compared to a fleet of 2,696 a year ago. We received 345 vehicles during the year (including 20 ambulances) and disposed of 402 trucks, vans and sedans. Included in the 2,639 units on hand are a further 39 trucks, vans and sedans that were disposed of during the first quarter of 2003/04.

The carrying value of our capital assets at $39,063 is $2,136 more than projected and $1,744 more than it was as of March 31, 2002. Of the increase in net book value between year-ends, $1,191 relates to the increase in the number of ambulances (from 60 to 80) during the year ended March 31, 2003. A further $532 relates to the ever-increasing carrying value of our trucks, vans and sedans. The $21 remaining amount relates to the $165 in costs incurred since April 1, 2002, for office, shop and computer equipment, and the new paint booth installed in the bodyshop, net of $144 in amortization on equipment and leasehold improvements.

The $6,955 total cost for 80 ambulances averages out to $86.9 per ambulance, somewhat less than our initially projected $93.0 average cost in October 2000. During the year ended March 31, 2003, the 20 ambulances received cost $1,777 ($88.9 each). The remaining $8,823 in the $10,600 amount for the acquisition of vehicles during the year represents the cost of the 325 new trucks, vans and sedans received, including capitalized improvements as well as capitalized settlement amounts with customers for vehicles being retained by *FLEET* at the end of their lease periods. The $8,823 amount averages out to a cost of $27.1 per vehicle. The average invoice cost for vehicle acquisitions in 2002/03 (apart from ambulances) was $24.3.

The only draw down from Loan Act Authority during the first nine months of 2002/03 was $1,550 on December 31, 2002, towards the purchase of ambulances. Further amounts of $1,500 on January 31 and $3,500 on March 31, 2003, were drawn down towards the purchase of trucks, vans and sedans. As suggested in Note 7 to the financial statements, repayments of Loan Act Authority for ambulances are structured over eight years and repayments for trucks, vans and sedans are structured over five years. Our outstanding Loan Act Authority increased as a result of our draw downs, net of repayments, from $18,580 as of March 31, 2002, to $20,289 as of March 31, 2003.

Our working capital payable position of $2,773 as of March 31, 2003, is significantly better than our $3,909 position a year ago, primarily because our receivables at that same date are $663 lower than they were a year ago and our unearned revenue is $506 more than it was a year ago. There are two contributing factors to our low receivables position: (1) There is an annual influx of cash received during the first quarter of the year from the prepayment of our monthly rental charges by certain departments so that they may receive a 2% discount on the amounts that would otherwise be due monthly during the year. This means that the monthly receivables are therefore collected "up front." We had more customers than ever before take advantage of this program during the first quarter of 2002/03. (2) Insurance renewals on all vehicles take place in September each year. Customers may elect to have that insurance billed to them on either a monthly or annual basis. As of October 1, 2002, more annual billings of insurance to customers took place than has ever been the case in previous years. Both of these factors decrease our monthly billings, and therefore decrease the amount of outstanding receivables at month end. The $980 amount of unearned revenue in our balance sheet as of March 31, 2003—when compared to the $470 projected at that same date and the actual $474 from a year ago—is a direct result of the second of these two factors.

As was also the case as of March 31, 2002, we are one payment behind in our quarterly revenue sharing payments as of March 31, 2003. For the most part, revenue sharing payments are delayed when we are into a working capital payable position. Currently, *FLEET* spends more days each year in a working capital payable position than we do out of it, so we seem to be constantly in arrears with our payments to the Consolidated Fund.

Ratio Analysis

Table 2 Ratio	Projected	March 31 Actual		
	2002/03 Year	**2003**	2002	2001
Return on total revenue	7.14%	**7.49%**	11.72%	12.12%
Return on average assets	4.37%	**4.73%**	7.72%	8.28%
Return on average equity	11.10%	**11.78%**	18.66%	19.05%
Debt to equity	1.53 to 1	**1.50 to 1**	1.49 to 1	1.34 to 1
Current ratio	0.40 to 1	**0.33 to 1**	0.35 to 1	0.40 to 1
Days sales in receivables	35.0 days	**21.1 days**	34.2 days	27.3 days

The three calculated rates of return in Table 2 are all slightly in excess of our annual projections, but significantly below the rates achieved a year ago. It's the abnormally high net earnings a year ago that is skewing the comparative calculated rates.

The one ratio that continues to please the *FLEET* management is the calculated days sales in receivables. The 21.1 days as of March 31, 2003, smashes our former year-end record of 27.3 days, set as of March 31, 2001. Convincing more and more of our customers to pay annual amounts in advance continues to make us look good.

Financial Assessment to Date and for the Future

If success is measured in terms of financial achievement, *FLEET* has enjoyed considerable success during its 11 years as a Special Operating Agency. We have had "bottom line" operating results that total $21,552 during that period, or average annual net earnings over 11 years of $1,959. If just the past five years are considered, our average annual net earnings become $2,414, with net earnings exceeding 10% of annual revenues in each of those years except 2002/03.

Our balance sheet has not shone quite as brightly, although it too has had its moments. We paid off our start-up debt in just over five years, have significantly reduced the number of days sales held in receivables, and have financed a significant portion of the continuously-increasing net book value of our vehicles out of operations.

Table 3 on page 19 traces our debt position from inception. For the 1998 to 2001 years, our long-term debt position at year-end remained relatively consistent—$12,000 to just over

$13,000—although the amount of principal due within one year increased dramatically, as more and more of the long-term debt approached its five year maturity dates. The inordinate increase in long-term debt in 2002 relates primarily to the borrowings for ambulances. The trend, however, continues for us to become a more highly leveraged organization in the future.

Table 3 (*In thousands of dollars*) Year ended March 31	Working capital payable, net of cash	Original start-up debt outstanding	Loan Act Authority outstanding	**Working capital payable and long term debt**	Current portion of long term debt due within one year
	As of March 31 each year				
1992	$	$ 8,235	$	**$ 8,235**	$ 138
1993		8,097	3,800	**11,897**	787
1994	119	6,245	3,012	**9,376**	791
1995		4,313	2,354	**6,667**	821
1996	1,679	4,211	1,635	**7,525**	896
1997		2,638	6,226	**8,864**	2,141
1998			12,437	**12,437**	2,984
1999	1,855		12,652	**14,507**	3,747
2000	2,160		12,306	**14,466**	4,576
2001	3,562		13,259	**16,821**	4,288
2002	3,909		18,580	**22,489**	4,756
2003	2,773		20,289	**23,062**	5,206

Once our start-up debt was extinguished, requirements commenced for revenue sharing payments to the Consolidated Fund. Through March 31, 2003, those requirements total $8,600 over five years, with a further $1,500 required for the year ending March 31, 2004.

March 31 continues to reflect the best gauge or measure of our annual financial position. That's because it's during the fourth quarter each year that our cash requirements are the heaviest. The fourth quarter is also traditionally *FLEET*'s "flattest" period in terms of a quarterly contribution to annual net earnings. And it's during the fourth quarter that we pay for the majority of model year replacement vehicles *and* make semi-annual principal and interest payments on our outstanding Loan Act Authority. With a working capital payable position of $2,773 as of March 31, 2003, future cash requirements can only come from an even greater reliance on Loan Act Authority.

Much of our financial success, in the form of strong operating results and financial position, has been enhanced, during our first 11 years, by the loyalty and support of the departments, agencies and crown corporations that are our clients. All other things being equal, a more highly leveraged balance sheet brings with it increased interest costs that can only be covered in the long run by increased rates for our products and services. Continued price increases may soon test the loyalty and support of our existing clients. Continued price increases most certainly will make it exceedingly more difficult, if not impossible, to make serious inroads into the development of new clients in the broader public sector.

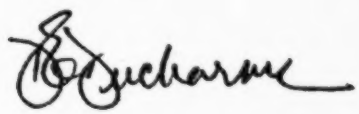
Our continuing challenge for the future will be to juggle our commitments for revenue sharing payments against our cost minimization mandate in an attempt to keep all stakeholders satisfied and happy.

Responsibility for Financial Reporting

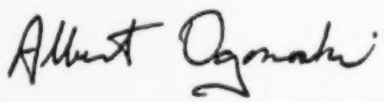
The Agency's management is responsible for preparing the financial statements and other financial information in the Annual Report. This responsibility includes maintaining the integrity and objectivity of financial data and the presentation of the Agency's financial position and results of operations in accordance with Canadian generally accepted accounting principles. The financial statements include amounts that are based on management's best estimates and judgements. The Agency's financial statements have been audited by Grant Thornton LLP, independent external auditors.

The Agency maintains a system of internal controls throughout its operation that provides reasonable assurance that transactions are authorized, properly recorded and reported, and that assets are safeguarded.

An Advisory Board is available to meet, as required, with management to review accounting practices, financial reporting and to discuss audit results. During the year, management met once with the Advisory Board. The auditors have free and full access to this Board, to discuss the results of their audit and their views on the adequacy of internal controls and the quality of financial reporting.



Dennis Ducharme
Chief Operating Officer



Albert Ogonoski
Manager, Finance

May 12, 2003

Grant Thornton

Grant Thornton LLP
Chartered Accountants
Management Consultants

Auditors' Report

To the
Special Operating Agencies Financing Authority

We have audited the balance sheet of **Fleet Vehicles Agency, an Agency of the Special Operating Agencies Financing Authority, Province of Manitoba** as at March 31, 2003 and the statements of earnings, retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Agency as at March 31, 2003, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Grant Thornton LLP

Winnipeg, Canada
May 12, 2003

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Financial Statements

Statements of Earnings and Retained Earnings
Year Ended March 31
(In thousands)

		2003	2002
Revenue	Vehicle leases	$ 23,866	$ 22,304
	Gain on disposal of vehicles and equipment, net	894	842
	Interest income	10	11
	Other revenue (Page 31)	1,710	1,799
		26,480	24,956
Expenses	Salaries	1,999	1,958
	Vehicle operating expenses (Page 31)	20,055	17,806
	Administrative expenses (Page 31)	1,340	1,284
	Community service	28	32
	Interest expense	1,075	951
		24,497	22,031
Net earnings		$ 1,983	$ 2,925

Retained earnings, beginning of year	$ 12,469	$ 10,644
Net earnings	1,983	2,925
Revenue sharing to the Consolidated Fund	(1,500)	(1,100)
Retained earnings, end of year	$ 12,952	$ 12,469

See accompanying notes to the financial statements.

Financial Statements

Balance Sheet
March 31
(In thousands)

		2003	2002
Assets	Current		
	Receivables (Note 3)	$ 1,800	$ 2,463
	Inventories	69	61
	Prepaids	1,538	1,216
		3,407	3,740
	Capital assets (Note 4)	39,063	37,319
	Receivable from the Province of Manitoba		
	Severance pay benefits (Note 5)	194	194
		$ 42,664	$ 41,253
Liabilities	Current		
	Working capital payable, net of cash (Note 6)	$ 2,773	$ 3,909
	Payables and accruals	887	1,092
	Revenue sharing to the Consolidated Fund for the current year	375	350
	Unearned revenue	980	474
	Current portion of long-term debt	5,206	4,756
		10,221	10,581
	Long-term debt (Note 7)	15,083	13,824
	Severance pay liability (Note 5)	290	261
		25,594	24,666
Equity	Contributed equity (Note 8)	4,118	4,118
	Retained earnings	12,952	12,469
		17,070	16,587
		$ 42,664	$ 41,253

Commitments (Note 9)

See accompanying notes to the financial statements.

Financial Statements

Statement of Cash Flows
Year Ended March 31
(In thousands)

		2003	2002
Increase (decrease) in cash and cash equivalents			
Operating	Net earnings	**$ 1,983**	$ 2,925
	Amortization	**7,851**	7,127
	Gain on disposal of vehicles and equipment, net	**(894)**	(842)
	Increase in severance pay liability	**29**	29
	Payment of severance pay benefits		(32)
		8,969	9,207
	Change in		
	Receivables	**663**	(604)
	Inventories	**(8)**	7
	Prepaids	**(322)**	(16)
	Payables and accruals	**(205)**	(644)
	Revenue sharing to the Consolidated Fund for the current year	**25**	(150)
	Unearned revenue	**506**	62
		9,628	7,862
Investing	Proceeds from disposal of vehicles and equipment	**2,064**	1,517
	Acquisition of vehicles	**(10,600)**	(14,813)
	Acquisition of office, shop and computer equipment	**(106)**	(119)
	Acquisition of leasehold improvements	**(59)**	(97)
		(8,701)	(13,512)
Financing	Proceeds from Loan Act Authority draw downs	**6,550**	9,950
	Long-term debt repayments	**(4,841)**	(4,629)
	Revenue sharing to the Consolidated Fund	**(1,500)**	(1,100)
		209	4,221
Net increase (decrease) in cash and cash equivalents		**1,136**	(1,429)
Working capital payable, net of cash and cash equivalents			
	Beginning of year	**(3,909)**	(2,480)
	End of year	**$ (2,773)**	$ (3,909)

See accompanying notes to the financial statements.

Financial Statements

Notes to the Financial Statements
March 31, 2003
(In thousands)

1. Nature of organization

In 1934, Fleet Vehicles was created as a branch of the Manitoba Provincial Government to provide a centralized fleet management program. It was established to achieve economies of scale and to lower overall fleet costs to government.

Effective April 1, 1992, the Fleet Vehicles branch was designated as a Special Operating Agency under The Special Operating Agencies Financing Authority Act, Cap. S185, C.C.S.M., and operates under a charter approved by the Lieutenant Governor in Council.

The Agency is financed through the Special Operating Agencies Financing Authority (SOAFA). SOAFA has the mandate to hold and acquire assets required for and resulting from Agency operations. It finances the Agency through repayable loans and working capital advances. This financial framework enables the Agency to operate in a business-like manner according to public policy expectations.

A 1992 Management Agreement between SOAFA and the then Minister of Government Services assigns responsibility to the Agency to manage and account for the Agency-related assets and operations on behalf of SOAFA.

Fleet Vehicles Agency continues to be part of Manitoba Government Services under the general direction of the Assistant Deputy Minister, Supply and Services Division, and ultimately the policy direction of the Deputy Minister and the Minister of Transportation and Government Services.

Fleet Vehicles Agency remains bound by relevant legislation and regulations. It is also bound by administrative policy except where specific exemptions have been provided in its charter in order to meet business objectives.

Fleet Vehicles Agency is economically dependent on The Government of Manitoba, as it derives most of its revenue and all of its capital financing requirements from the Province.

2. Significant accounting policies

Basis of reporting

The financial statements of the Agency are presented in accordance with Canadian generally accepted accounting principles.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and balances with banks, net of bank overdrafts and short term investments with original maturities of six months or less. Bank borrowings are considered to be financing activities.

Inventories

Inventories are valued at the lower of cost and market value.

Financial Statements

Notes to the Financial Statements
March 31, 2003
(In thousands)

*2. **Significant accounting policies*** (continued)

Capital assets

Rates and bases of amortization applied to write off the cost less estimated salvage value of capital assets over their estimated lives are as follows:

Vehicles	30%, declining balance
Vehicles (signed lease agreement)	straight line over term of lease
Office and shop equipment	20%, declining balance
Computer software and equipment	20%, straight line
Leasehold improvements	10%, straight line

Pension

Employees of the Agency are eligible for pension benefits in accordance with the provisions of the Civil Service Superannuation Act, administered by the Civil Service Superannuation Board.

Effective March 31, 2001, pursuant to an agreement with the Province of Manitoba, the Agency transferred the pension liability for its employees to the Province. During the 2002 fiscal year, in accordance with the terms of the agreement, the Agency transferred to the Province funds equal to the net assets required to discharge its pension obligations as of March 31, 2001. Commencing April 1, 2001, the Agency began making regular payments to the Province in amounts equal to its employees' current pension contributions.

As of March 31, 2003, the Agency has discharged its pension obligations and has no outstanding liability.

Use of estimates

In preparing the Agency's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and reported amounts of revenue and expenses during the period. Actual results could differ from these estimates.

Financial instruments

The Agency's financial instruments consist of accounts receivable, accounts payable and long-term debt. Unless otherwise noted, it is management's opinion that the Agency is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximate their carrying values, unless otherwise noted.

Financial Statements

Notes to the Financial Statements
March 31, 2003
(In thousands)

3. Receivables

	2003	2002
Trade	**$ 742**	$ 1,461
Accrued trade	**703**	731
Insurance agency rebate receivable	**355**	271
	$ 1,800	$ 2,463

4. Capital assets

	Cost	Accumulated Amortization	2003 Net Book Value	2002 Net Book Value
Vehicles	$ 68,819	$ 30,390	**$ 38,429**	$ 36,706
Office, shop and computer equipment	1,119	789	**330**	312
Leasehold improvements	589	285	**304**	301
	$ 70,527	$ 31,464	**$ 39,063**	$ 37,319

5. Severance pay liability

Effective April 1, 1998, the Agency commenced recording accumulated severance pay benefits for its employees. Severance pay is determined by multiplying years of service, to a maximum of 15 years, by the weekly salary at date of retirement, provided the employee has reached nine years of service and retires from the Agency. Effective April 2000, there is also additional severance pay for employees with 20 or more years of accumulated service. The estimate is based upon the method of calculation set by the Province of Manitoba.

The Province has accepted responsibility for the severance benefits accumulated by the Agency's employees to March 31, 1998. That responsibility is currently reflected by a $194 receivable from the Province.

The receivable from the Province will only be collected, in whole or in part, in the event there is a cash short fall in the Agency. It is probable, therefore, that collection will only occur on the dissolution of the Agency.

An actuarial valuation report from February 2001 provides a formula to update the liability on an annual basis. In accordance with the formula, the Agency's liability is recalculated annually, with payments to retiring employees no longer with the Agency or the Province charged against the liability.

Financial Statements

Notes to the Financial Statements
March 31, 2003
(In thousands)

6. Working capital payable

The Agency has an authorized line of working capital advances of $4,000, $2,795 of which was used as of March 31, 2003 (2002: $3,992).

7. Long-term debt

Loan Act Authority is repayable in semi-annual instalments of principal and interest, as follows:

Interest Rate	Instalment Amount	Maturity Date	Principal Balance Owing 2003	2002
5 ½%	289	September 30, 2002	$	$ 282
5 7/8%	316	March 31, 2003		604
5 ½ %	232	March 31, 2004	**444**	866
6%	141	March 31, 2004	**269**	523
6 7/8%	408	March 31, 2005	**1,499**	2,176
6 5/8%	167	September 30, 2005	**757**	1,027
5 3/4%	495	March 31, 2006	**2,693**	3,493
5 3/8%	121	September 30, 2006	**764**	957
4 3/4%	243	September 30, 2006	**1,550**	1,948
5 5/8%	174	March 31, 2007	**1,232**	1,500
4 1/4%	179	September 30, 2007	**1,455**	
4 3/4%	397	March 31, 2008	**3,500**	
6.425%	146	March 31, 2009	**1,434**	1,624
5 1/4%	159	September 30, 2009	**1,736**	1,955
5 5/8%	134	September 30, 2009	**1,446**	1,625
5 1/8%	123	September 30, 2010	**1,510**	
Total principal owing as of March 31			**20,289**	18,580
Amount due within one year			**5,206**	4,756
Long-term debt as of March 31			**$ 15,083**	$ 13,824

By virtue of the Management Agreement, the Agency is responsible for the repayment of debts assumed by the Special Operating Agencies Financing Authority (SOAFA) on its behalf. SOAFA holds the debt instruments listed above on behalf of Fleet Vehicles Agency.

Unused loan authority of $3,400 was available as of March 31, 2002. An additional $6,250 was approved during 2002/03, for a total available loan authority of $9,650. Following the draw down of $6,550 during the year, there is $3,100 in unused loan authority remaining, $1,000 special from The Loan Act, 2000 and $2,100 regular to be used towards the purchase of trucks, vans and sedans.

Financial Statements

Notes to the Financial Statements
March 31, 2003
(In thousands)

7. *Long-term debt* (continued)

As of March 31, 2003, principal repayments in each of the next five years are as follows:

2004	$ 5,206
2005	4,748
2006	4,022
2007	2,698
2008	1,933

8. *Contributed equity*

The Special Operating Agencies Financing Authority (SOAFA) and The Government of Manitoba entered into a Transfer Agreement in connection with the transfer from the Government to SOAFA of assets valued at $12,353 required for the continuing operations of Fleet Vehicles Agency as of March 31, 1992. The Agency has repaid the debt portion in the amount of $8,235 (2/3 of the value of the assets) and has recorded the balance of $4,118 (1/3 of the value of the assets) as the Government's equity in SOAFA relating to the Agency's operations.

9. *Commitments*

(a) Pursuant to a Memorandum of Understanding dated May 31, 1996, the Agency entered into a lease agreement with The Government of Manitoba through Manitoba Government Services for the rental of the facilities at 626 Henry Avenue, Winnipeg, Manitoba. Occupancy charges for each fiscal year including 2003/04 are established annually based on the approved budget for the Department of Transportation and Government Services. Occupancy charges for 2003/04 are estimated at $425 for the year, to be paid in semi-annual instalments in July 2003 and January 2004.

(b) The Agency's approved 2003/04 Business Plan calls for $1,500 in revenue sharing to be paid in quarterly instalments to the Consolidated Fund during 2003/04.

10. *Consolidation with Operations of Radio Services*

Effective April 1, 2003, the Radio Services Program within the Desktop, Telecommunications and Network Services Branch of the Department of Transportation and Government Services was transferred to the Agency.

The Program operates on a full cost recovery basis and currently has nine employees. Operations for 2003/04 are projected with revenues of $1,148 completely offset by costs and expenses. Valuations for inventory, equipment and other assets have not yet been finalized, nor have all liabilities been determined. The Agency's management estimates that the net assets of Radio Services transferred to the Agency as of April 1, 2003, do not exceed $150.

Financial Statements

Notes to the Financial Statements
March 31, 2003
(In thousands)

11. Requirements of The Public Sector Compensation Disclosure Act

Pursuant to Section 2(1) of the Act, the following employees of Fleet Vehicles Agency received compensation, directly or indirectly, of $50 or more in the fiscal year ended March 31.

Name	Position	2003	2002
Kathryn Bernhardt	Manager, Support Services	$ 58	$ 62
Derek Boutang	Systems Analyst	59	54
Donald Chesney	Manager, Fleet	65	62
Dennis Ducharme	Chief Operating Officer	80	82
Jordan Janisse	Systems Supervisor	61	56
David Kroeker	Programmer Analyst	55	50
Albert Ogonoski	Manager, Finance	60	60
William Reynolds	Senior Manager, Strategic Planning	60	60
Guy Sinclair	Manager, Operations	64	62
George St. Amant	Automotive Equipment Mechanic		50
Kathy Tarrant	Manager, Marketing		53

Financial Statements

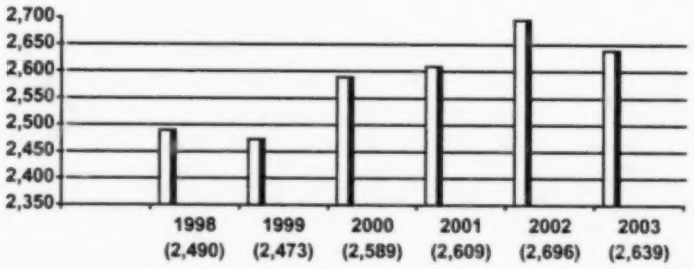
Schedule of Other Revenue and Expenses
Year Ended March 31
(In thousands)

		2003	2002
Other revenue	Service	**$ 872**	$ 719
	Rebates	**576**	694
	Autopac service revenue	**262**	386
		$ 1,710	$ 1,799
Vehicle operating expenses	Amortization	**$ 7,707**	$ 6,994
	Fuel	**6,221**	5,405
	Insurance premiums	**2,665**	2,327
	Repairs and maintenance	**3,462**	3,080
		$ 20,055	$ 17,806
Administrative expenses	Amortization	**$ 144**	$ 133
	Fleet management information system	**191**	189
	Human resource overhead	**396**	390
	Occupancy costs	**418**	398
	Other costs	**58**	70
	Professional fees	**49**	24
	SOAFA charges	**2**	3
	Supplies and materials	**54**	47
	Telephone and communication	**28**	30
		$ 1,340	$ 1,284

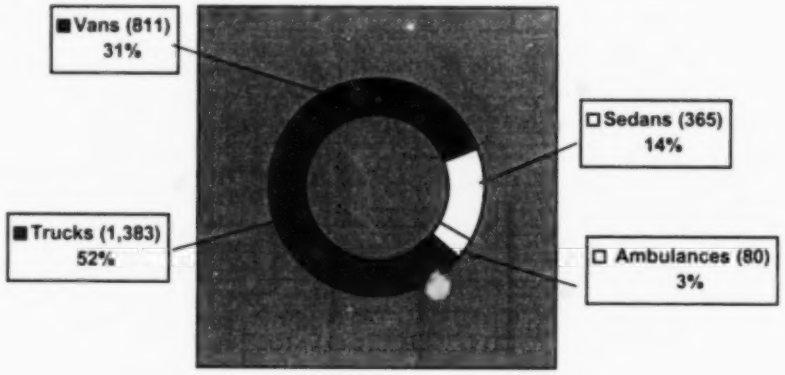
FLEET Facts

Year ended March 31	Projected 2002/03	**Actual 2002/03**	Actual 2001/02
Distance			
Total kilometres driven (000s)	51,053	**56,302**	53,656
Revenue			
Total lease revenue (000s)	$ 22,853	**$ 23,866**	$ 22,304
All other revenue (000s)	$ 2,064	**$ 2,614**	$ 2,652
Total revenue (000s)	$ 24,917	**$ 26,480**	$ 24,956
Average lease rate per kilometre	$ 0.4476	**$ 0.4239**	$ 0.4157
Fleet Composition			
Total number of vehicles - full fleet management services	2,362	**2,377**	2,464
Total number of vehicles - dry (no fleet management services)	233	**262**	232
Total number of vehicles in the fleet	2,595	**2,639**	2,696
Acquisitions - Trucks, vans and sedans	275	**325**	367
Acquisitions - Ambulances	20	**20**	60
Average acquisition cost - Trucks, vans and sedans (000s)	$ 27.0	**$ 27.1**	$ 26.3
Average acquisition cost - Ambulances (000s)	$ 88.9	**$ 88.9**	$ 86.3
Disposals - Trucks, vans and sedans	340	**402**	340
Average disposal proceeds (000s)	$ 6.1	**$ 5.1**	$ 4.5
Gain on disposal of vehicles and equipment, net (000s)	$ 524	**$ 894**	$ 842
Average vehicle age (in years)	3.8	**3.7**	3.8
Fuel Consumption			
Litres (000s)	8,066	**9,687**	8,906
Price per litre	$ 0.7120	**$ 0.6422**	$ 0.6069
Litres consumed per 100 kilometres	15.80	**17.21**	16.60

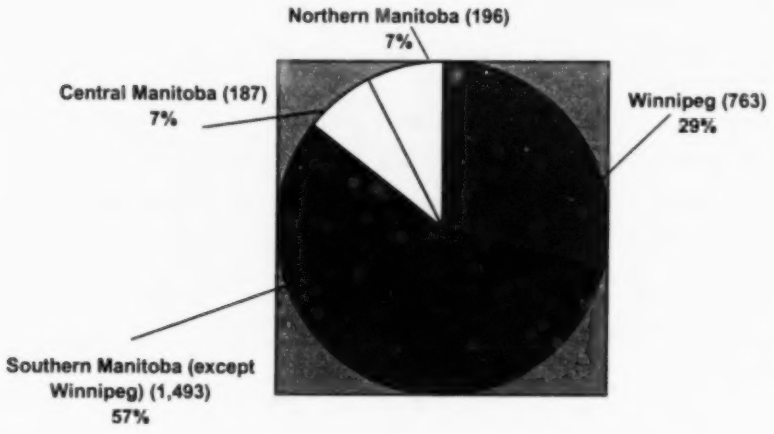
Fleet Size as of March 31 (*in units*)



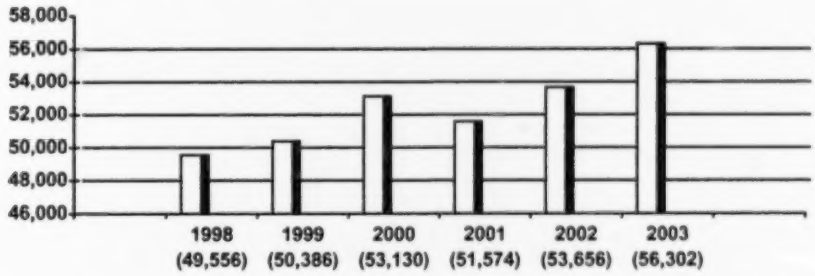
Vehicle Type as of March 31, 2003 (*in units*)



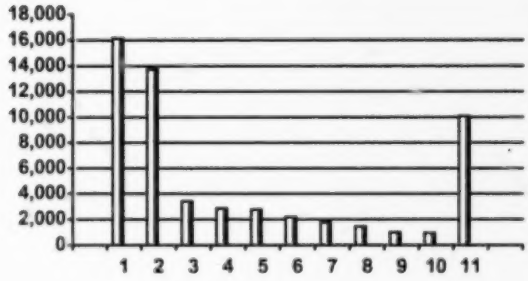
Distribution of Vehicles as of March 31, 2003 (*as designated by MPI regions*)



Fleet Distance *(in thousands of kilometres)*



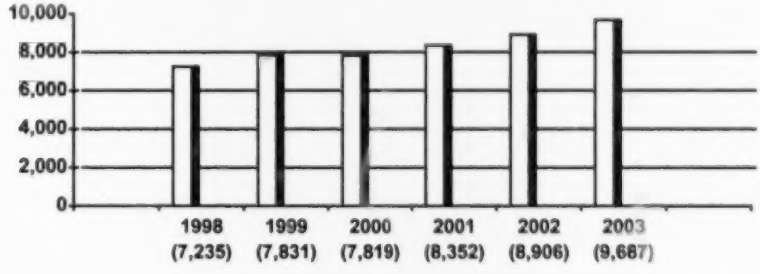
Distance by Department in 2002/03
(in thousands of kilometres)



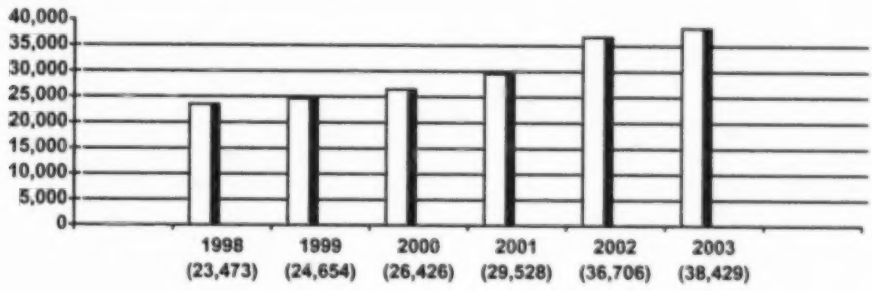
Distance by Department Legend
(in thousands of kilometres)

1.	Transportation and Government Services	16,145
2.	Conservation	13,737
3.	Justice	3,422
4.	Health and RHAs (ambulances)	2,867
5.	Family Services and Housing	2,768
6.	Manitoba Lotteries	2,186
7.	Agriculture and Food	1,742
8.	Intergovernmental Affairs	1,434
9.	Office of the Fire Commissioner	978
10.	Labour and Immigration	931
11.	Others (91 other customers)	10,092
	Total distance in 2002/03	56,302

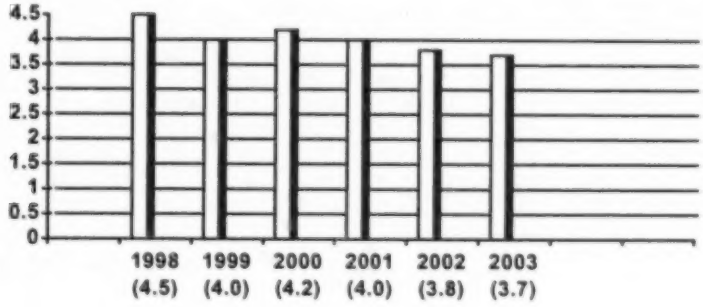
Fuel Consumption *(in thousands of litres)*



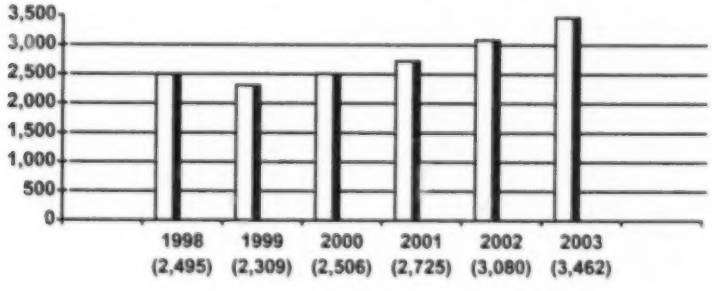
Carrying Value (Cost less Accumulated Amortization) of Vehicles
(in thousands of dollars)



Vehicle Age (*in years*)



Repairs and Maintenance Costs (*in thousands of dollars*)



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Our vision is to provide all vehicle and equipment management services to the broader public sector.

FLEET VEHICLES AGENCY

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